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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 003256

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SUBJECT: ROYG CLOSES DOWN HUNT OFFICES, AMERICANS TO LEAVE YEMEN

REF: SANAA 3185

Classified By: Ambassador Thomas C. Krajewski for reasons 1.4 (b) and (d).

1. (C) Summary: Early in the morning on November 15, representatives of the Ministry of Oil took over the Sanaa offices of Hunt Oil accompanied with security forces. Hunt responded by relocating employees from its Block 18 facility in Mareb to Sanaa, and is in the process of removing most of its staff from Yemen altogether. Officially, the ROYG approved their departure, but the Ministry of Oil and the passport office erected bureaucratic roadblocks while ROYG lawyers attempted to persuade employees to accept contracts with the government-controlled Safer company. The Safer takeover is a complete reversal of statements made by President Saleh to Ray Hunt in Washington, in which he assured the Hunt CEO that the company would be allowed to extend its contract. End Summary.

Hunt Removed from Offices

2. (C) Shortly after midnight on November 15, representatives of the Ministry of Oil arrived at Hunt Oil's main Sanaa office, accompanied by security personnel, and took control of the Hadda facility. November 15 marked the termination of Hunt's 20-production sharing agreement (PSA) with the ROYG for Block 18. Hunt employees were told to leave the facility, after which company vehicles were confiscated and phone lines disconnected. In response to these events, Hunt executives in the United States decided to withdraw nearly all company employees from Yemen. The official Yemeni press reported that the handover process "went quite smoothly without any problems," and dismissed the possibility of legal action by Yemen Hunt.

Americans Prepare to Leave Yemen...

3. (C) Employees were told that they must obtain exit visas from the ROYG passport office in order to leave the country and the Ministry of Foreign Affairs assured Ambassador that such permission would be granted for anyone who wanted to leave. Conoffs are working with Hunt officials and the ROYG passport office to issue exit visas to 19 Americans. As of November 16, three Americans had received approval to leave the country, while the other 16 are expected to be granted permission at the airport. The ROYG has made the departure of one American contingent on the release of his computer password to the Safer company. Eight of the Americans are field workers from Block 18 in Mareb, two are spouses, and the remainder are Hunt management representatives from the Sanaa office. There were a total of approximately 60 expatriate Hunt employees who chose to leave Block 18 on November 15. Yemeni employees, as well as an unspecified number of expatriates, decided to remain in Mareb working for the Safer company. As far as the Embassy can determine, the Americans faced no direct security threats at any point during their departure and all Americans who wished to leave the Mareb facility have done so. They are currently staying at a safe, major international hotel in Sanaa with the intention of departing Yemen on November 17. A small number of Hunt executives with residence visas will remain in Yemen for a longer period.

...ROYG Has Other Ideas

4. (C) On November 15, Hunt employees attended a late afternoon meeting with company executives, Deputy Minister of Oil Abdulmalak Alama, and representatives of Clyde and Co., the ROYG's legal counsel. Clyde lawyers attempted to sign new contracts to retain the 60 Hunt field employees with the Safer Oil and Gas Company. The lead lawyer made several comments that the Safer employment contracts would match previous Hunt contracts "provision for provision." He stressed that Safer wants as many of the Hunt employees to stay with Safer as possible. Bill Lewis, Hunt's lead negotiator, said employees wishing to stay on with Safer would face "no prejudice" should they later want to return to Hunt. Safer's lawyers said they would be available all night

to discuss contract options. After the meeting, all Americans told Conoff that they want to leave Yemen as soon as possible.

Empty Promises to Hunt

15. (C) The takeover of Hunt's office came as a surprise, as the ROYG and Hunt appeared to have reached a compromise during President Saleh's recent visit to Washington. On November 10, Saleh met with Ray Hunt, CEO of Hunt Oil, and offered his assurances that the ROYG would honor its contractual obligations to Hunt Oil. Hunt proposed amending the PSA to include Safer as a partner. In earlier statements, the ROYG announced that Safer would begin operating Block 18 once Hunt's existing PSA expired on November 15. (Reftel) In the Hunt proposal, formal title would likely go to Safer, but Yemen Hunt would maintain responsibilities for day-to-day operations in Block 18 for the next five years, at which time Safer would become the sole operator. On November 14, representatives of Safer visited employees at Block 18 and assured them that nothing would change with the termination of Hunt's PSA.

16. (C) Comment: President Saleh returned to Yemen from France on November 16 and it remains unclear what action, if any, he will take. Safer's takeover of Hunt facilities contradicts Saleh's officials statements in Washington, and there is no indication as to who made the decision or whether they had Saleh's blessing. At the same time, recent events demonstrate the thin line between the ROYG and Safer. The Minister of Oil is acting CEO, his deputy serves as General Manager, and ROYG lawyers are acting on the company's behalf. It is therefore unlikely that the takeover occurred without high-level support. Nevertheless, the ROYG's strategy in taking over Block 18 appears chaotic, as are its attempts to retain Hunt employees. Events remain fluid and more changes are likely in the days to come. End Comment.
Krajeski